



MEMORANDUM



To: Members of the House Committee on Tax Policy

From: Michigan Association of School Boards
Michigan Education Association
Middle Cities Education Association
Michigan Association of School Administrators
Michigan Association of Intermediate School Administrators
AFT Michigan
Michigan Elementary and Middle School Principals Association
Michigan Association of Secondary School Principals



RE: House Bill 4831 and its effect on the School Aid Fund

Date: September 25, 2013



We write today in opposition to House Bill 4831 which would exempt over-the-counter prescription medications from the sales tax because of its negative impact on the School Aid Fund (SAF). The House Fiscal Agency estimated that similar legislation considered last session would result in a reduction of \$7.3 million for the SAF.

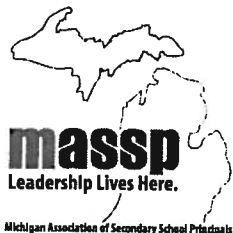


Our concerns lie in the bigger picture. While this particular bill may seem to be only a small decrease to the SAF, when added to the many other policies recently passed and being considered, they continue to erode the school aid fund and add up to a significant amount of money over time.

We urge you to look very closely at this bill and similar ones and the collateral damage they have over time. Our schools will continue to see cuts if the school aid fund does not receive the revenue necessary to support our students and communities.



We urge you to oppose this bill until the SAF is held harmless by the cuts proposed. If you have any questions, please feel free to contact any of us in the education community listed.



Legislation Passed by the House Committees Since January 2013 that Affect the School Aid Fund (does not include bills that had hearings but no votes, or bills passed by the Senate).

Tax Policy:

SB89-90 and HB4234 – eliminate the sales and use taxes on the difference between the value of a trade-in and a new vehicle.

\$152 Million loss to SAF

SB142-143 – eliminate sales and use taxes on prewritten software

\$7-11 Million loss to SAF

HB4121 – allow a 5 year tax abatement on the sale of school property

Amount of loss to SAF undetermined

HB4135 – eliminate the requirement to pay school operating mills on foreclosed properties

\$38-42 Million loss to SAF

HB4202-4203 – create sales and use taxes on sales over the internet

Amount of increase to SAF undetermined - however HFA states as written the bills would not generate much revenue.

Transportation & Infrastructure:

HB4572 – eliminate sales tax on aviation fuel

\$35-41 Million loss to SAF

HB4677 – earmark portion of sales tax revenue to transportation fund

Includes a \$55 Million increase to SAF

Natural Resources:

SB51, 52 & 55 and HB4244 (Public Acts 42, 43, 44 and 50 of 2013) – changes in the taxes on forestry industry and property

Amount of loss to SAF undetermined

These few bills total a minimal loss to the SAF to be \$232 million annually.

The minimal increase to the SAF is \$55 million annually.

School Aid
Programs Formerly Funded from the General Fund and Program Transfers from Other Departments

<u>Sec.</u>	<u>Program</u>	<u>FY 2009-10</u> <u>YTD</u>	<u>FY 2010-11</u> <u>YTD</u>	<u>FY 2011-12</u> <u>YTD</u>	<u>FY 2012-13</u> <u>YTD</u>	<u>FY 2013-14</u> <u>YTD</u>	Formerly Funded Department	Fiscal Year Program Transferred
11g	Durant - Debt Service	\$39,000,000	\$39,000,000	\$39,000,000	\$39,000,000	\$39,500,000	General Fund	2006-07
11j	School Bond Redemption Fund	\$40,000,000	\$5,167,800	\$93,575,300	\$120,390,000	\$131,660,000	Treasury	2002-03
11m	Cash Flow Borrowing Costs	\$12,000,000	\$15,000,000	\$2,100,000	\$3,200,000	\$4,000,000	General Fund	2007-08
24a	Juvenile Detention Facility	\$1,751,300	\$1,440,000	\$2,114,800	\$2,135,800	\$2,167,500	Dept Human Services	2006-07
24c	Challenge Program	\$642,300	\$742,300	\$765,600	\$1,500,000	\$1,500,000	Military & Vetran Affairs	2006-07
26a	Renaissance Zone Costs	\$35,500,000	\$26,300,000	\$25,137,500	\$27,800,000	\$26,300,000	General Fund	2005-06
26b	PILT Reimbursement	\$2,400,000	\$2,400,000	\$3,000,500	\$3,169,500	\$4,009,500	Dept Natural Resources	2005-06
31a(6)	Adolescent Health Centers	\$3,557,300	\$3,557,300	\$3,557,300	\$3,557,300	\$3,557,300	Dept of Community Health	2005-06
31a(7)	Hearing and Vision Screening	\$5,150,000	\$5,150,000	\$5,150,000	\$5,150,000	\$5,150,000	Dept of Community Health	2006-07
31f	School Breakfast Program	\$9,625,000	\$9,625,000	\$9,625,000	\$9,625,000	\$5,625,000	Dept of Education	2006-07
32i	School Readiness - Competitive	\$7,575,000	\$7,575,000	\$8,875,000	\$8,875,000	\$0	Dept of Education	2005-06
65	Precollege Engineering Grants	\$905,100	\$905,100	\$0	\$0	\$0	Dept of Labor & Econ Growth	2006-07
74	School Bus Inspections	\$1,403,500	\$433,800	\$1,608,900	\$1,634,900	\$1,674,000	State Police	2006-07
104	MEAP Tests - State only	\$26,630,700	\$40,194,400	\$35,194,400	\$26,694,400	\$26,694,400	Dept of Education	2006-07
201	Community Colleges	\$208,400,000	\$0	\$195,880,500	\$197,614,100	\$197,614,100	General Fund	2009-10
236	Higher Education			\$200,219,500	\$200,565,700	\$200,565,700	General Fund	2011-12
Total		\$394,540,200	\$157,490,700	\$625,804,300	\$650,911,700	\$650,017,500		
GF/GP Appropriated in School Aid Budget								
1994-95		\$684,900,000						
1995-96		\$596,400,000						
1996-97		\$277,900,000						
1997-98		\$376,000,000						
1998-99		\$420,613,500						
1999-2000		\$420,613,500						
2000-01		\$385,613,500						
2001-02		\$198,400,000						
2002-03		\$249,413,500						
2003-04		\$377,800,000						
2004-05		\$165,200,000						
2005-06		\$62,714,000						
2006-07		\$35,000,000						
2007-08		\$34,909,600						
2008-09		\$78,000,000						
2009-10		\$30,206,200						
2010-11		\$18,642,400						
2011-12		\$78,642,400						
2012-13		\$282,400,000						
2013-14		\$234,900,000						